



NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

**2nd quarter
of 2022**

Bank lending survey

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Corporate lending

After a decline in the previous quarter, there was a significant increase in demand for business loans in the 2nd quarter, especially from small and medium-sized businesses (Figure 1). Meanwhile, a slight increase in the interest rates had been continuing since its beginning in the 1st quarter (Figures 2 and 4). Lending conditions for large and medium-sized businesses have also tightened slightly.

The index of demand for loans from small businesses increased significantly in the 2nd quarter of 2022. An increase in demand for loans from small businesses was observed in half of the banks, mainly in large ones. The total number of loan applications in the reporting quarter increased by 19% quarter to quarter (q/q) to 310 thousand, while the average application size decreased by 8% q/q to 23.3 million tenge. The increase in the number of applications is largely due to the large banks' rapid development of their online credit scoring loan products for small businesses. Banks also continued to improve credit products' convenience and increase the customer base coverage. In addition, for the first time medium-sized banks launched digital credit products for individual entrepreneurs in the reporting quarter. Furthermore, lending within state programs resumed, which also affected credit demand growth in the small business segment.

Demand for loans from medium-sized businesses also increased markedly in the 2nd quarter. The number of loan applications increased almost 4 times q/q to 3.9 thousand in the reporting quarter, while the average application size almost halved q/q to 265 million tenge. The bulk of such applications was for small size short-term unsecured loans up to 30 days, which led to a sharp decrease in the total average amount of loan requests. Large banks launched a new online loan product for LLP in the reporting quarter, which also reflected in the growth of the total number of applications from medium-sized businesses. Other banks explain demand growth by the continued inflow of SME customers from Russian subsidiary banks in Kazakhstan.

The least growth of credit demand was from large businesses. The main contribution to the increase in demand was made by large banks borrowers. The number of applications in the reporting quarter increased by 10% q/q to 203, and the average size of the application increased by 37% q/q to 7.6 billion tenge. On the one hand, the increase is explained by the low base of the number of applications in the previous quarter, on the other, by the extra inflow of large business customers from Russian subsidiary banks. Despite the quarterly growth, the number of applications for the reporting quarter (203) remains 17% below the quarterly average of 2021 (245).

Willingness of large banks to lend to small businesses has somewhat decreased. The approval rate for small business loan applications continued to decline from 33% in 1st quarter to 29% in 2nd quarter of 2022. Large banks related the decrease in the approval rate with increase in credit risks in the small business portfolio and a slight increase in overdue debt. The decrease in the approval rate was mainly noted in online credit scoring lending products for small businesses. On the contrary, the approval rates for loan applications from medium and large businesses increased slightly, amounting to 57% and 55%, respectively, but still remain below the average levels of 2021. In medium-sized businesses, the increase of approval rates in the reporting quarter was mainly for small-scale and short-term credit products (up to 30 days). It is worth noting that Russian subsidiary banks in Kazakhstan, which are under US and EU sanctions, practically did not lend to businesses in the 2nd quarter of 2022. Customers previously serviced in these banks gradually left for other Kazakhstani banks.

In the lending conditions, the increase in interest rates on business loans continued as banks expected, mainly for large and medium-sized enterprises. At the same time, many banks evaluate the increase of interest rates as insignificant.

Some banks expect a slight increase in demand for loans from large businesses in the next quarter (Figure 1). SME demand index will on average remain at the level of the reporting quarter according to respondents. Most banks do not expect growth in interest rates on business loans in the next quarter (Figure 4).

Retail lending

In the 2nd quarter of 2022, the demand for retail loans decreased in the mortgage lending segment, while its increase was observed in all types of consumer lending (Figure 5). Tightening of credit conditions was noted in all types of retail loans (Figure 6).

Banks associated the decline in demand for mortgage loans with a reduction in the availability of mortgage loans at subsidized rates, in particular, with the closure of the Baspana Hit program. It is also noted that the main demand of the population was realized in the previous quarter before the increase in the threshold of sufficiency for the use of pension savings for the purchase and/or improvement of housing conditions from April 1, 2022. At the same time, the seasonality factor and the introduction of a new digital mortgage product by a separate bank led to a significant increase in the number of applications for mortgage loans in the reporting quarter by 90.4% q/q and amounted to 258 thousand applications. At the same time, these factors, in general, did not affect the change in the declining trend of the demand index in the mortgage lending market (Figure 7).

In the reporting quarter, the demand for consumer loans mainly grew due to the growing consumer appetite of the population. Banks noted that one of the factors of increasing demand was an increase in the household spending on durable goods. Another factor that influenced the growth in demand for consumer loans was the loosening of lending conditions: a reduction in collateral requirements for secured consumer loans by a separate bank, and an increase in the limit and maturity of unsecured loans in another (Figure 8). Banks also noted that the increase in demand for credit resources occurred due to the flow of customers from Russian subsidiary banks in Kazakhstan. As a result, the number of applications for secured and unsecured consumer lending in the 2nd quarter increased by 27.8% and 4.3%, amounting to 12 thousand and 11 million applications, respectively.

The growth in demand for car loans in the reporting quarter, to a greater extent, is associated with the launch of a subsidized car loan program. However, the continuing shortage of cars and the of queues at car dealers make it difficult to apply for a subsidized car loan. Banks noted that these difficulties delay the process of reviewing loan applications. Thus, the number of applications for them in the reporting quarter decreased by 4.4%, amounting to 393 thousand applications.

In the 2nd quarter, the conditions for retail lending tightened in terms of an increase in interest rates, including due to an increase in the base rate of the National Bank (Figure 9). In addition, changes in the legislation in the calculation of the borrower's income for the debt burden ratio affected the revision of scoring models of banking products and led to tougher requirements for the solvency of customers.

In the next quarter, banks expect that the demand for mortgage loans will remain at the level of reporting quarter, but still will increase by the end of the year due to the launch of mortgage products in the 3rd quarter. Also, banks expect that in the next period the number of applications for consumer loans will continue to grow, while the demand for car loans will slightly decrease.

General information about the survey

The Bank lending survey is conducted by the National Bank on a quarterly basis to assess the changes in supply and demand for credit resources. The Survey is addressed to bank managers who are responsible for the formation of bank's general credit policy and risk management. During the research, all banks are surveyed out by filling questionnaires and subsequent interviews with representatives of individual banks.

The choice of answers to the most of questions assume one of the following:

-1 = will decrease/decreased significantly

-0,5 = will decrease/decreased slightly

0 = will remain/remained at the same level

0,5 = will increase/increased slightly

1 = will increase/increased significantly

Prior to Q1 2018 survey results were aggregated as a simple average by calculating the net percentage change (NPC)– difference between the proportion of respondents who have noted an increase (loosening) in parameter and the proportion of respondents who have noted its decrease (tightening).

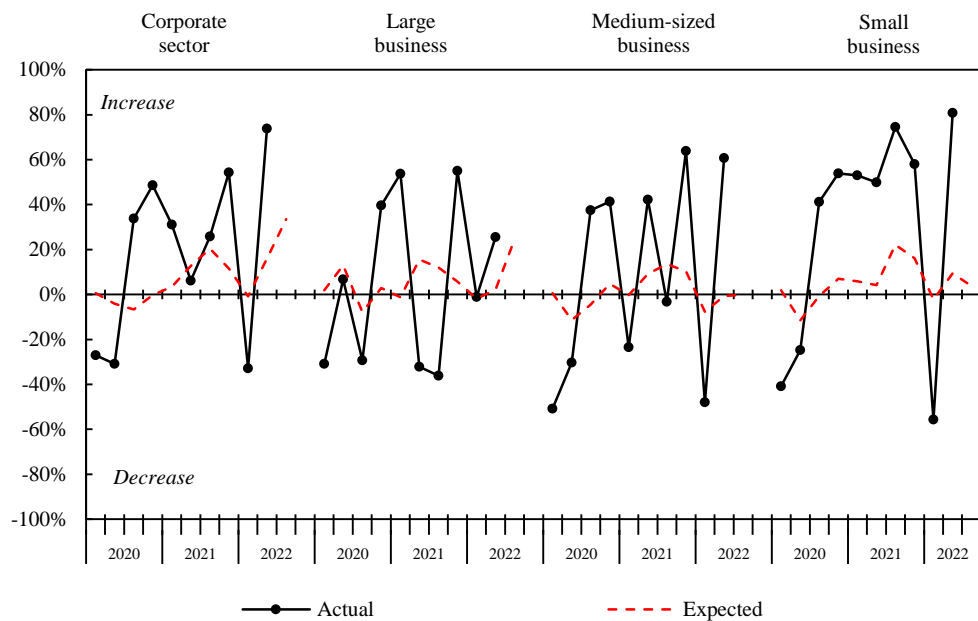
Starting from Q1 2018, the survey results are aggregated in the NPC, taking into account the bank's share in the corresponding segment of the lending market. The value of this indicator can vary from -100% - if all banks choose "decreased/tightened significantly" - to 100% - if all banks choose "increased/loosened significantly"

A positive value of this NPC indicator reflects a growth trend (loosening), a negative value indicates a decrease (tightening) of the parameter. At the same time, value of the net percentage change does not show the amount of change in the parameter, but only indicates the change itself.

Also, starting from Q1 2018, questions of received and approved loan applications were included to the questionnaire (Questions №21, 22, 23). The total number of received applications includes both, applications for which a credit decision was already made (approved/rejected), and applications that were on consideration during the time of conducting the survey.

Figure 1. The demand of corporate business entities for credit resources

Net percentage change

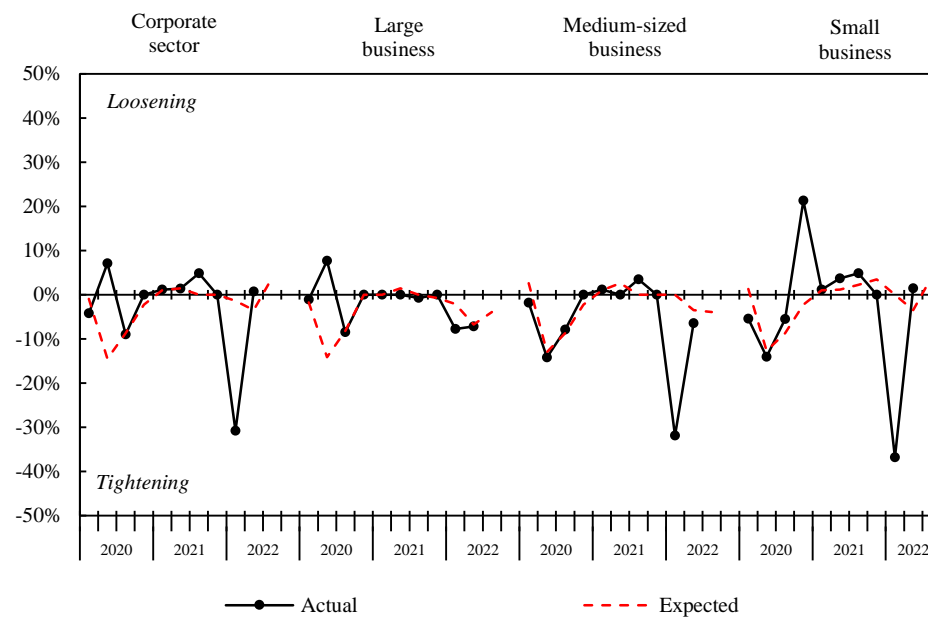


(a) Question №1: How has the demand of corporate business entities for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of corporate business entities for loans change in the next 3 months?

(b) A positive net percentage change is a sign of an increase in the demand for credit resources by entrepreneurs.

Figure 2. Lending terms to corporate business entities

Net percentage change

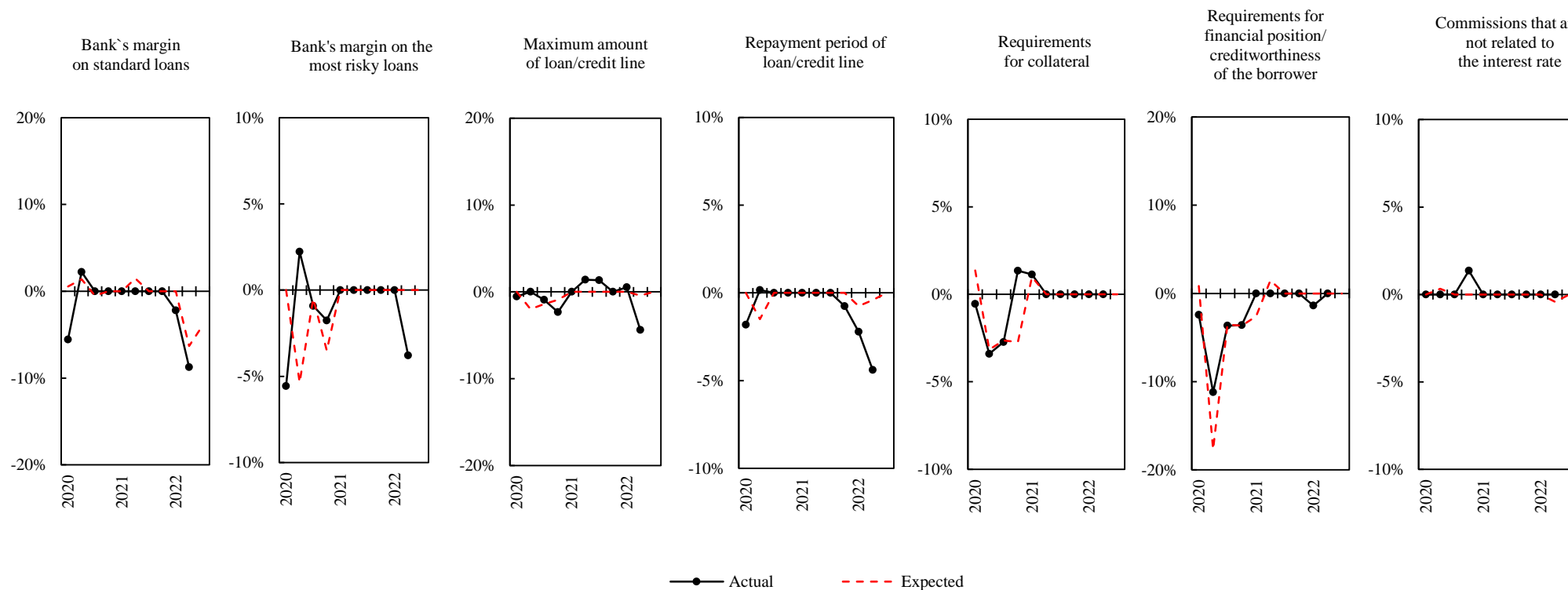


(a) Question №5: How have the lending terms to corporate business entities changed over the past 3 months? In your opinion, how will the lending terms to corporate business entities change in the next 3 months?

(b) A positive net percentage change is a sign of a loosening of lending terms.

Figure 3. Lending conditions

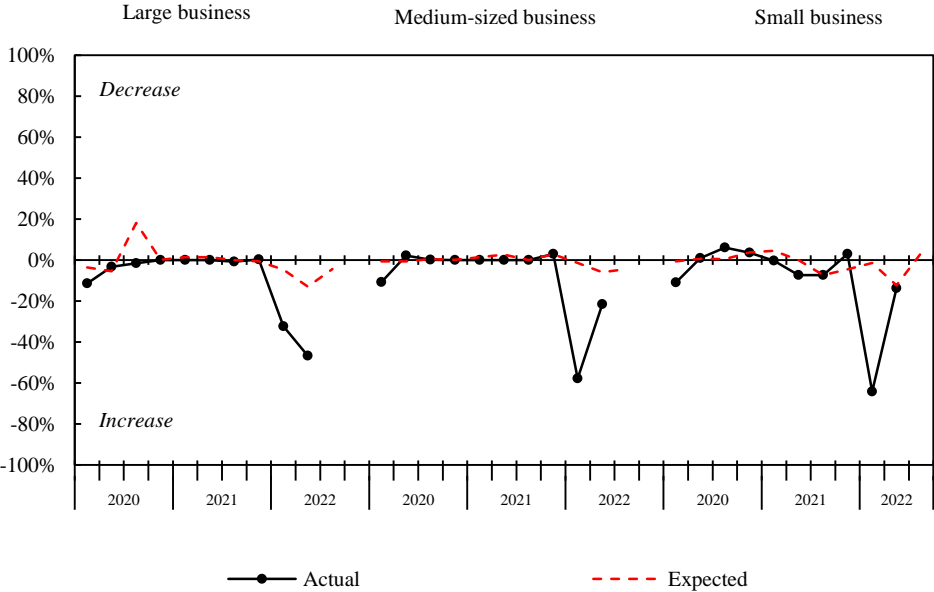
Net percentage change



- (a) Question №7: How have the following lending terms to corporate business entities changed over the past 3 months? In your opinion, how will the following lending terms change in the next 3 months?
 (b) A positive net percentage change is a sign of a loosening of lending terms.

Figure 4. Interest rates on loans

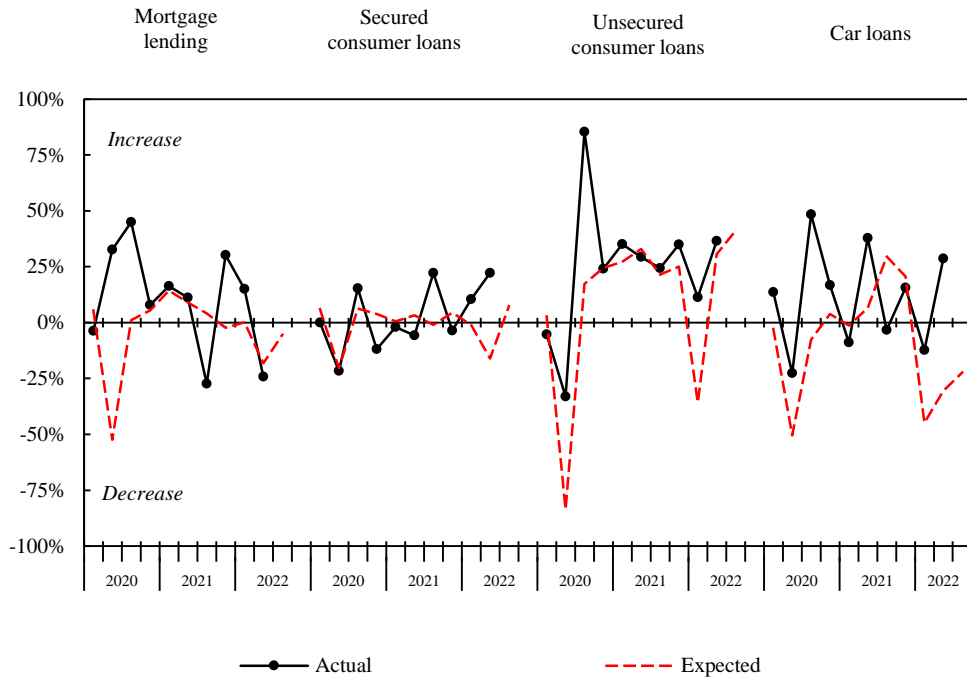
Net percentage change



- (a) Question №8: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?
- (b) A positive net percentage change is a sign of a decrease in the interest rates on loans to the corporate sector.

Figure 5. The demand of individuals for credit resources

Net percentage change

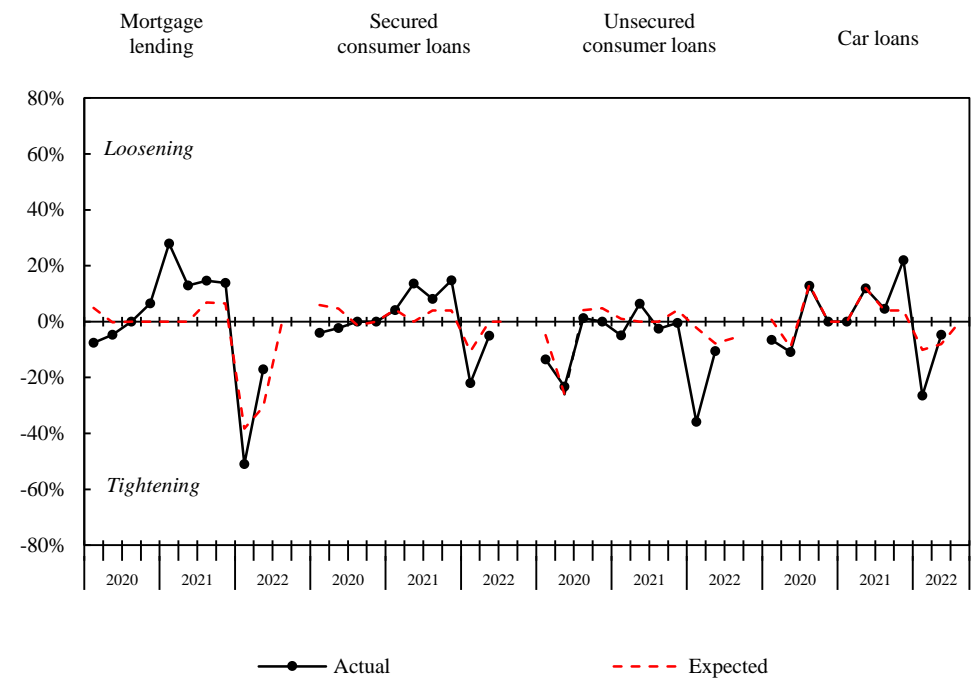


(a) Question №9: How has the demand of individuals for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of individuals for loans change in the next 3 months?

(b) A positive net percentage change is a sign of an increase in the demand of individuals for credit resources.

Figure 6. Lending terms to individuals

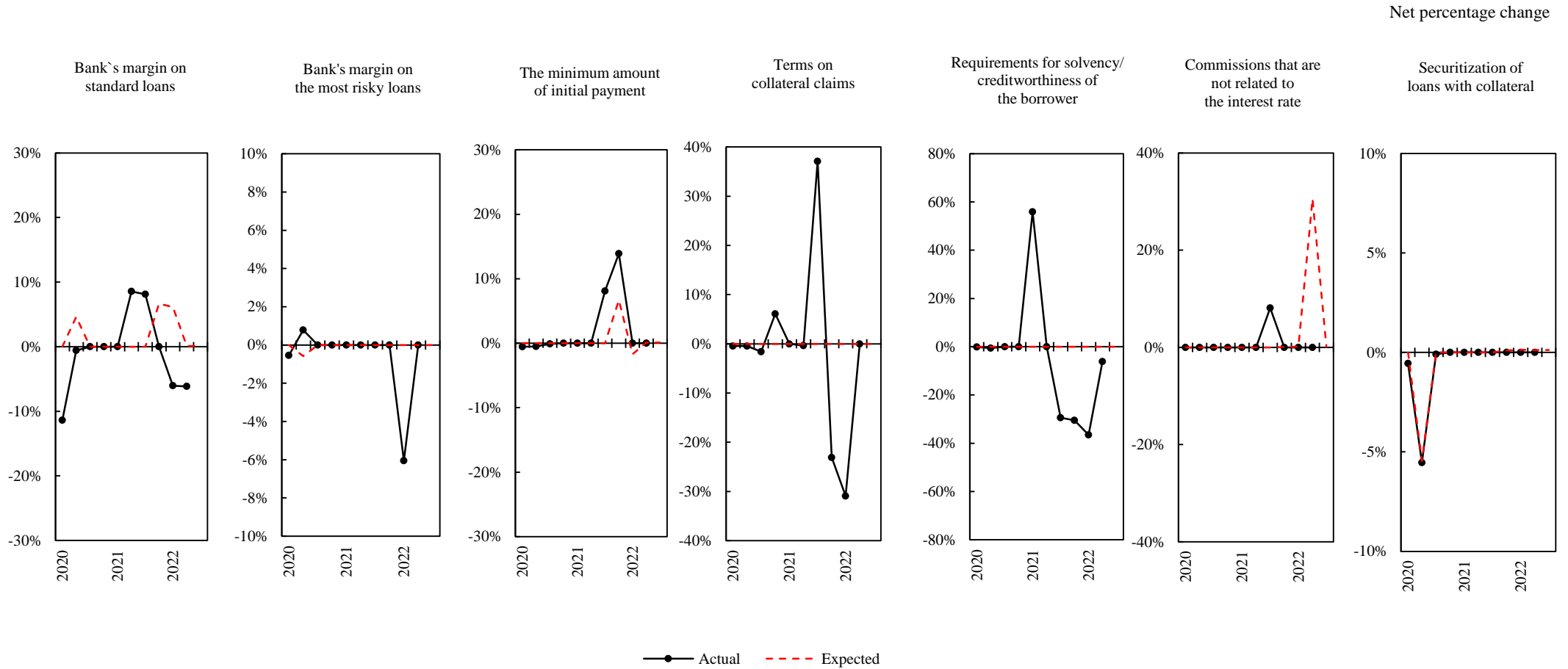
Net percentage change



(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(b) A positive net percentage change is a sign of a loosening of lending terms.

Figure 7. Mortgage lending terms

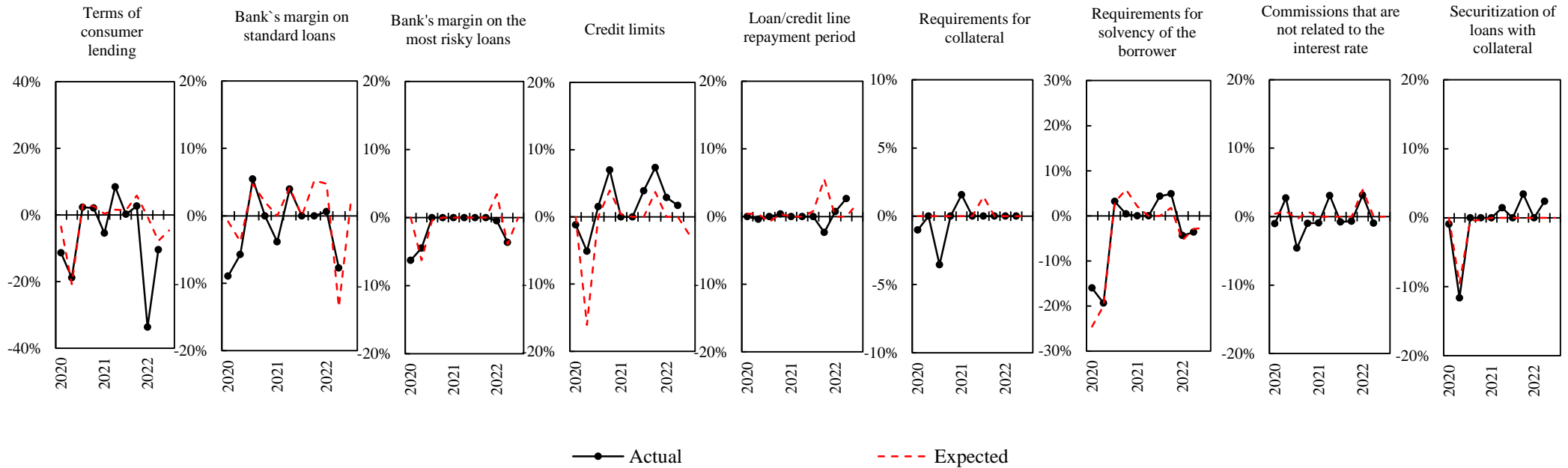


(a) Question №16: How have the following mortgage lending terms changed over the past 3 months? In your opinion, how will the following mortgage lending terms change in the next 3 months?

(b) A positive net percentage change is a sign of a loosening of mortgage lending terms.

Figure 8. Consumer lending terms

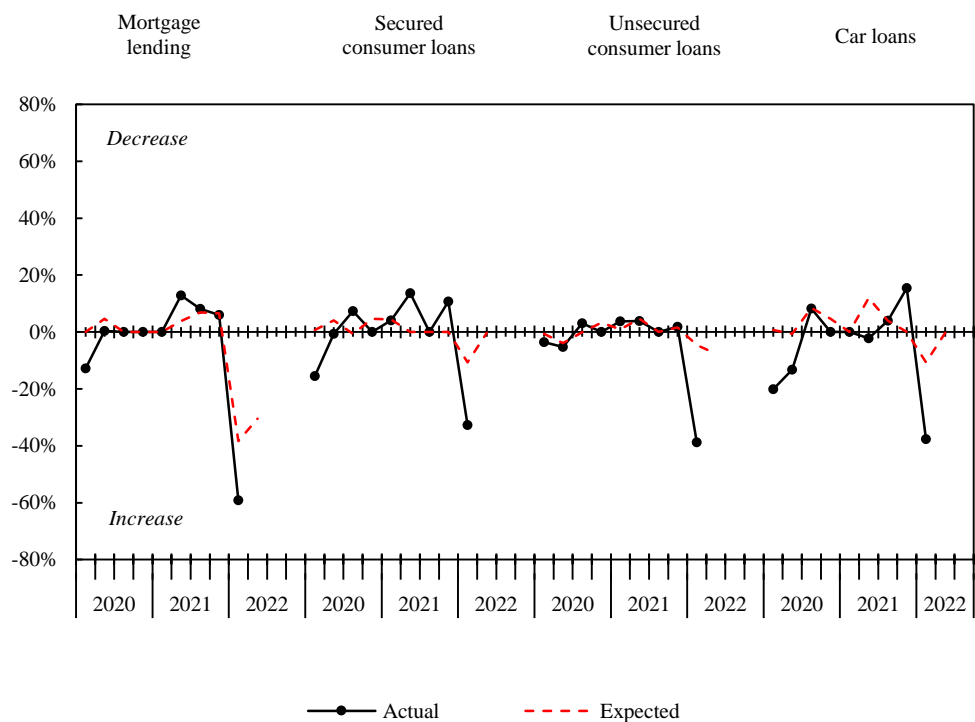
Net percentage change



- (a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?
- (b) Question №17: How have the following consumer lending terms changed over the past 3 months? In your opinion, how will the following consumer lending terms change in the next 3 months?
- (c) A positive net percentage change is a sign of a loosening of consumer lending terms.

Figure 9. Interest rates on loans

Net percentage change



(a) Question №18: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?

(b) A positive net percentage change is a sign of a decrease in the interest rate on loans to individuals.